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UNCLAS SECTION 01 OF 02 KUWAIT 003977

SIPDIS

STATE PLEASE PASS TO USAID JON BRAUSE AND TOM MARCHIONE

E.O. 12958: N/A

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SUBJECT: POINTS DELIVERED ON PRESIDENT'S G-8 AFRICAN HUMANITARIAN EMERGENCIES INITIATIVE

REF: STATE 162169

¶11. (U) Begin Summary: On September 4, Econoff delivered reftel points to representatives from the Kuwait Fund For Arab Economic Development (a government entity) and the Arab Fund for Economic and Social Development. While neither organization deals strictly in humanitarian projects associated with the President's G8 Africa initiative, they do fund a broad spectrum of development projects in over a dozen African countries through concessionary loans and grants. Both reps were appreciative of the reftel points. The Kuwait Fund representative noted the likelihood of discussions on aid to Africa at the upcoming World Bank/IMF meetings in Washington. End Summary

¶12. (U) Econoff delivered reftel points orally and in the form of a "non-paper" to Mr. Emad Al-Majed, Regional Manager for Central, East and South African Countries at the Kuwait Fund for Arab Economic Development (KFAED) and Mr. Abdul-Hamid Zigalaie, Economic Advisor at the Arab Fund for Economic and Social Development (AFESD). Both Al-Majed and Zigalaie found the statistics in the non-paper useful and underscored their respective organization's continued commitment to providing assistance through concessionary loans and grants to Africa. Al-Majed explained that the Government of Kuwait (GOK) is anticipating discussions about aid to Africa on the margins of the upcoming World Bank/IMF meetings in Washington.

¶13. (U) Zigalaie clarified that AFESD was restricted to providing assistance only to Arab countries in Africa, therefore limiting its assistance to Djibouti, Mauritania, Sudan, and Somalia (Note: assistance to Somalia has been on-hold given the country's political situation. End Note). Both KFAED and AFESD fund a wide range of development projects including infrastructure projects, water sanitation, agricultural development, and social services (schools/hospitals).

Kuwait Fund Active in Forty African States

¶14. (U) Al-Majed explained that the KFAED, headed by the Kuwaiti Foreign Minister, is required to allocate half its annual development funds to Arab countries with the remainder dispersed to Africa (18%), East Asia (21%), Central Asia and Eastern Europe (7%), South America and the Caribbean (3%). According to its March 2005 report, KFAED has dispersed, to date, approximately 3.5 billion USD in concessionary loans to 40 African countries (see KFAED website www.kuwait-fund.org for full listing). Approximately 56 percent of these loans have been for transportation development.

¶15. (U) Al-Majed lamented that African counterparts were slow to submit proposals for KFAED funding and that the biggest challenge was determining "who to contact" in the African governments. He pointed out that competing intra-governmental priorities prevented many African states from drafting viable funding proposals reflecting legitimate national priorities vice parochial interests. Al-Majed admitted that despite such procedural challenges, KFAED was committed to pursuing new development opportunities in Africa by working closely with African government interlocutors, at times informally, to improve their respective proposals to help ensure funding. He cautioned that KFAED regulations prohibited funding new projects in countries with outstanding arrears with KFAED, but noted that the organization remained flexible in resolving arrears in the interest of ensuring development progress.

Arab Fund Limited to "Arab-African" Countries

¶16. (U) Zigalaie reaffirmed AFESD's continued support to development in Sudan, Djibouti, and Mauritania. He said that assistance to those and other countries is determined in direct coordination with AFESD member-state representatives and not at the request of the UN or other international organizations and NGOs. He added that AFESD's flexibility allowed it to review and approve funding requests within a broad framework of economic development projects, including even the construction of luxury hotels if such construction was deemed beneficial to a country's economic growth and

stability.

Background Info on Kuwait and Arab Funds

17. (U) The Kuwait Fund for Arab Economic Development (KFAED) is the GOK's primary vehicle for providing assistance and aid to other countries. It was founded the same year that Kuwait gained its independence, 1961, and was originally intended to assist Kuwait's Arab neighbors. In 1974 its mandate was expanded to include all developing countries. To date, KFAED has committed over 11.5 billion USD (17 percent to African countries) in low interest loans to 101 countries through 650 separate projects, has provided over 323 million USD in grants and technical assistance, and has contributed 1.15 billion USD to other development institutions. Interest rates on loans range from as little as 1 percent to 3.2 percent with a 23 year maturity period and a 3 year grace period. Additional information on KFAED's programs is available at its official website: www.kuwait-fund.org.

18. (U) The Arab Fund for Economic and Social Development, aka "The Arab Fund" was established in 1972 and became operational in 1974. It is an autonomous "Pan-Arab" development finance organization providing concessionary loans to governments, public enterprises and corporations, giving preference to projects deemed vital to the Arab world and to inter-Arab projects. The Arab Fund is comprised of 21 Arab member states, each with a "governor" serving as the country representative to the organization. Since its inception, 63 percent of its loan commitments have been to infrastructure development, the remainder was provided to "productive sector" programs (industry, mining, agriculture, rural development), comprising approximately 27 percent, and "social service" (health, education, housing and social development), comprising approximately 9 percent. Additional information on The Arab Fund's programs is available at its official website: www.arabfund.org

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